

Supporting *our communities*

At Empire, we know that a strong commitment to the communities that welcome our operations is fundamental to our long-term success. We strive to be a good neighbour in all that we do and actively encourage and support our employees, franchisees and affiliates to help make their communities better places to live and work.



Empire and its subsidiaries support a wide range of important causes across Canada at the corporate, regional and individual store levels. Most of these initiatives support families and children – especially in the areas of health, wellness and education. The major focus is placed on local communities where our employees, franchisees and affiliates generously give their time and talent in support of important events and causes. Our dedication to community service is closely tied to the legacy of the Sobeys family and the culture of the organization, which expresses itself through our collective commitment of giving back and helping to enhance the lives of Canadians.

Thanks to donations from employees and customers in Ontario, Sobeys Store Operators Allen Foget and Pat Begbie, joined by General Walter Natynczyk and members of the Canadian Forces, load product for Operation Santa Claus, a program administered by the Department of National Defence that helps deliver holiday care packages to soldiers overseas. (left)

The 2012 Maritime Philanthropy Award for Outstanding Corporate Philanthropist was presented to Rob Sobeys, President and CEO of Lawtons Drugs, by Rosalie Courage, President, RBR Development Associates Ltd. and a member of the Association of Fundraising Professionals - Nova Scotia Chapter. (below)





At the Helping Hands event on December 18, 2012, more than 600 employees from Sobeys' national and regional offices surprised the residents of Pictou County, Nova Scotia with hundreds of random acts of kindness throughout the community and spontaneous donations in support of many local charities. (above left)



Orange you glad you helped a kid? Thrifty Foods and Buck Brand Organic Oranges teamed up for three weeks to support 12 KidSport British Columbia chapters over the past winter. Thrifty Foods presented \$80,874 to KidSport, enabling 323 kids to register for a full season of support. (left)

Sobeys is a proud sponsor of Healthy U – a government of Alberta public information and education campaign in support of healthy eating and active living. Sobeys employees distribute school snacks to Edmonton students. (below)



Protecting *the environment*

As a leading Canadian food retailer with operations from coast to coast, Sobeys occupies a pivotal point in the supply chain. We have a unique responsibility to not just conduct our own business more sustainably, but to promote solutions to advance the environmental interests of our customers, suppliers and the communities in which we operate.



Sobeys initiated a formal sustainability program in 2008 with a baseline analysis of its environmental footprint and a thorough examination of opportunities to effect positive change through closer cooperation with industry partners. As evidenced by our annual Sustainability Scorecard, we have continued to make solid progress.

- In September 2012, Supermarket News awarded Sobeys with the 2012 Sustainability Excellence Award in the store chain category.
- In October 2012, Efficiency Nova Scotia presented Sobeys with the Bright Star Award, which recognizes outstanding energy efficiency within a large business.
- In October 2012, BC Hydro awarded Jerry Wyshnowsky, Director of Energy and the Environment at Thrifty Foods with the Power Smart Excellence Award for his role as a Power Smart Energy Manager and for partnering with BC Hydro on 12 Power Smart employee engagement events over the past year. The Power Smart Excellence Awards program is a province-wide recognition program that recognizes BC Hydro's best-in-class energy-efficient business customers, retail partners and trade allies.



Sobeys is a sponsor of *Map Your Meal*, an integral component of Girl Guides of Canada's National Service Project "Operation Earth Action". This program challenges and empowers girls to become more environmentally aware and take action on the issues that make an impact in their communities and in their world. *Map Your Meal* is a hands-on activity that teaches girls the importance of knowing where their food comes from, and explores the environmental and health benefits of meal planning as well as buying and cooking with food grown and raised closer to home.



2012 Scorecard

The following table summarizes Sobeys Inc.'s progress on key sustainability goals and indicators in fiscal 2012 compared to our 2008 baseline. The measurements are intensity based, except as otherwise noted, and direct operations boundaries include our corporate owned stores, distribution centres and fleets.

For more information, please visit www.sobeysustainability.com



Direct Operations

Goal 1: Reduce Greenhouse Gas (GHG) emissions by 15% by December 31, 2013

PROGRESS	KEY ACTIONS	COLLABORATIVE INITIATIVES
<p>Carbon Footprint</p> <ul style="list-style-type: none"> Retail stores (84% of total footprint): <ul style="list-style-type: none"> a 9.4% decrease in kgs CO₂e/ft² Distribution centres (9.5% of total footprint): <ul style="list-style-type: none"> a 22% decrease in kgs CO₂e/100 cases shipped Fleets (6.5% of total footprint): <ul style="list-style-type: none"> a 12% decrease in kgs CO₂e/100 kms travelled 	<ul style="list-style-type: none"> Used our web-based, carbon footprint and waste/waste diversion measurement system to measure progress towards our 2013 CO₂e emissions and waste reduction targets, engaged management and employees in emissions reduction activities, and identified improvement opportunities Expanded the introduction of measures proven to be effective in reducing our energy and refrigerant leak CO₂e emissions Outside the scope of our carbon footprint, Sobeys' corporate and third party fleets travelled 4.1 million backhaul kilometres (a 25.6% increase over fiscal 2011) 	<ul style="list-style-type: none"> Canadian supermarket industry shared carbon footprint annual measurement and reporting web tool, based on WBCSD/WRI GHG Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

The two dominant contributors to our stores' carbon footprint are: electricity consumption (68.2%) and refrigerant leaks (21.5%)

Goal 2: Reduce waste to landfill by 30% by December 31, 2013

<p>Waste Diversion</p> <p>In fiscal 2012, 48% of all waste diverted from landfill:</p> <ul style="list-style-type: none"> Retail stores: a 9.8% decrease in kgs waste to landfill/ft² Distribution centres: a 30.4% decrease in kgs waste to landfill per 100 cases shipped <p>Significant quantities of materials sent for recycling and organic matter composting:</p> <ul style="list-style-type: none"> Cardboard: 39,000 metric tonnes Organic waste: 13,500 metric tonnes Plastics: 1,500 metric tonnes Other materials (paper, metals, and oils and fats): 1,000 metric tonnes <p>Over the past year, we have increased the volume of material diverted from landfill by more than 2,000 metric tonnes, or 3.9%</p>	<p>Since 2008, the annual volume sent to landfill has been reduced by 5,600 metric tonnes in retail stores and 2,000 metric tonnes in distribution centres. Initiatives included:</p> <ul style="list-style-type: none"> Installing on-site organic waste processing systems at 44 stores across Ontario, on average, reducing store waste to landfill volume by 34% Expanding our produce organic waste diversion program in British Columbia to all stores resulting in a combined diversion of 2,300 metric tonnes of organic produce waste (24.5% year-over-year increase in these stores' organics diversion volume) Piloting an expansion of this program in British Columbia to include other types of organic materials (e.g. baked goods, dairy, meat) Piloting a plastics recycling program in five distribution centres in Atlantic Canada expected to result in diverting 60 metric tonnes of plastics from landfill annually Implementing a variety of waste diversion programs at the three Ontario distribution centres and engaging employee participation enabling them to increase the volume of materials diverted from landfill by 31.5%, compared to last year 	<ul style="list-style-type: none"> Fees of \$11.43 million for 2011 will be collected as our share of municipal bluebox stewardship program costs in Québec, Ontario and Manitoba Partnered with waste management companies servicing our operations to identify new opportunities to further expand our waste diversion programs
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Supply Chain

Sustainable Seafood Goal: By 2013 stop selling any species with significant issues unless an improvement plan is in place

PROGRESS	KEY ACTIONS	COLLABORATIVE INITIATIVES
Baseline data still in progress	<ul style="list-style-type: none"> De-listed all species of sharks, skates, rays, orange roughy and bluefin tuna Helped initiate British Columbia wild salmon fishery improvement plan; supported and in process of initiating several others 71 Compliments private label products eco-labeled Implemented decision support tool for seafood buyers to assess relative sustainability of products procured 	<ul style="list-style-type: none"> Sustainable Fisheries Partnership www.sustainablefish.org

Delivering *long-term value*

In fiscal 2013, Empire shares generated a total return of 21.0 percent compared to 8.1 percent for the S&P/TSX Composite Index and, subsequent to fiscal year-end, rewarded investors with 18 consecutive years of increasing dividends. Over the past 20 years, Empire shares have provided an annual average total return of 13.5 percent.



This performance has been made possible by our steadfast focus on food retailing and related real estate – businesses that serve the essential, everyday needs of Canadians. We have been at these businesses for many decades and with the benefit of significant family ownership, have pursued a growth strategy focused on long-term sustainable value creation rather than short-term financial performance. This approach can be seen in the careful investments behind Sobeys' growth into a leading national food retailer, the creation of Crombie REIT to facilitate Sobeys' expansion across the country and the development of an increasingly effective partnership between these two businesses.

As Paul Sobey mentioned in his letter, we recently announced one of our most important investments yet with the planned \$5.8 billion purchase of Canada Safeway. This leading Western Canada grocer is an excellent strategic fit given its similar food-focused strategy, skilled management team, strong corporate culture, and complementary market position in the region's largest and fastest growing population centres. Over the past 15 years, the senior management teams at Empire and Sobeys have done a great job acquiring, financing and integrating several attractive businesses to support Sobeys' growth into a leading national food retailer. Accordingly, we are confident this most recent acquisition will make a strong contribution to Empire's ongoing record of value creation.

On behalf of the Company's shareholders, the Board plays an active role in establishing strategy and monitoring the performance of all of Empire's operations. A key responsibility is to ensure that appropriate training, development and succession planning policies and practices are in place. It is also our responsibility to understand the major risks that could impact